

Message Text

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11

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-07

NSC-05 CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 PA-02 PRS-01 AGR-10 /115 W

----- 012001

P R 150850Z MAR 76

FM AMEMBASSY TOKYO

TO DEPARTMENT OF TREASURY PRIORITY

SECSTATE WASHDC PRIORITY 7699

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL HONG KONG

UNCLAS TOKYO 3857

TREASURY FOR SPRINGBORN

E.O. 11652: N/A

TAGS: TAGS: EFIN, JA

SUBJECT: TOKYO FOREX MARKET REMAINS QUIET

1. SUMMARY: TOKYO FOREX MARKET REMAINS QUIET AS
IN PAST TWO WEEKS, DESPITE SERIOUS PRESSURES IN EUROPEAN
FOREX MARKETS AND NEWS THAT FRANCE HAD WITHDRAWN FROM EC
SNAKE.

2. ON MON, MAR 15, TOKYO FOREX TRADING OPENED SOMEWHAT
HEAVIER THAN USUAL UPON NEWS OF FRENCH DECISION. SPOT RATE
INITIALLY DECLINED FROM FRI MEDIAN RATE OF 301 YEN/DOLLAR.
WHEN RATE REACHED 300.5 LEVEL, TRADERS APPARENTLY KNEW
THAT BOJ WAS PROVIDING SUPPORT (ALTHOUGH BELIEVED TO BE
QUITE NEGLIGIBLE). THEREAFTER MARKET DRIFTED UPWARD
TO CLOSE AT 300.70 AND A MEDIAN SPOT RATE FOR THE DAY OF
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301 (UNCHANGED FROM LAST FRI AND MON).

3. NEVERTHELESS, FORWARD RATES MOVED TO SMALL DISCOUNT ON MONDAY, IN CONTRAST TO A PREMIUM SINCE FEB 20. TOTAL VOLUME FOR THE DAY WAS MODERATE AT 124 MIL SPOT, \$80 MIL FORWARD AND SWAPS OF \$100 MIL COMPARED WITH FRIDAY VOLUME OF \$110 MIL, \$124 MIL AND UNUSUALLY LOW SWAP VOLUME OF \$60 MIL.

4. REASONS ATTRIBUTED FOR QUIET TOKYO FOREX MARKET DESPITE EUROPEAN MARKET TURBULENCE ARE THAT (A) JAPANESE INFLATION IS UNDER CONTROL, (B) EXPORT PERFORMANCE IS STRENGTHENING, AND (C) MARKET SATISFACTION WITH YEN TRADING AROUND 301/DOLLAR. MARKET TODAY MAY HAVE BEEN STRENGTHENED ON RELEASE OF CUSTOMS TRADE STATISTICS WHICH CONFIRMED PREVIOUS LEADING TRADE INDICATORS. CUSTOMS EXPORTS IN FEB WERE 7.9 PERCENT ABOVE A YEAR AGO HEARALDED AS THE FIRST YEAR-OVER-YAR INCREASE SINCE MAY 75 WHEREAS IMPORTS ONLY UP 4.6 PERCENT, FIRST YEAR-OVER-YEAR INCREASE SINCE FEB 75. ON SEASONALLY ADJUSTED BASIS, FEB EXPORTS UP 2.9 PERCENT OVER JAN ON TOP OF 5.6 AND 8.5 PERCENT INCREASES IN EACH OF THE PRIOR MONTHS. ON OTHER HAND, IMPORTS S.A. WERE DOWN 3.0 PERCENT FOLLOWING 1.3 PERCENT DROP IN JAN AND 8 PERCENT RISE IN DEC 74. FURTHER DETAILS ON CUSTOMS TRADE WILL BE REPORTED SEPTTEL. HODGSON

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Margaret P. Grafeld
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